

SECRET

(Issuances by ADSO & ADPC)

SUBJECT: U. S. Income Taxes of Covert Personnel

1. It is the direct responsibility of each case officer to assure himself that covert personnel under his guidance have received proper briefing for secure payment of U. S. income taxes.

2. The payment of taxes is a personal responsibility of the individual taxpayer but the preservation of cover imposes problems that are not normally encountered. The case officer is not expected to be familiar with the intricacies of tax law or provide a solution to these problems, but he is expected to obtain competent advice for his people. The Office of General Counsel can provide such advice, and experience has shown that the time to obtain it is prior to the agent's departure for the field.

3. There have been a number of instances where the taxpayer has apparently been under the impression that strict compliance with the income tax requirements is a matter of minor consequence when there is any conflict with security. This impression may be based on an assumption that the home office will rectify all omissions upon the person's return to this country. Whatever the basis, such conclusions are not warranted. Security is, of course, a matter of paramount importance at all times, but every effort should be made to develop a plan that will enable the individual to pay his taxes without jeopardy to his cover.

4. The DCI and the Commissioner of the Bureau of Internal Revenue some time ago recognized the need for a confidential relationship in handling certain tax problems of CIA personnel, and the arrangements that were established have proven highly satisfactory in expediting the payment of taxes without jeopardy to security. In return for the Bureau's cooperation, however, CIA assumed an obligation to support only those returns that reflect the actual taxable income. The true identity of the individual's essential tax liability to the Government must always be accurate. The arrangements provide a general basis of approach to the CIA solution of the problem, and aid from the Bureau is sought only in those specific cases where complexity or emergency requires. In any event, the Office of the General Counsel is available for advice regarding the action to be taken. Aside from the general desirability of anticipatory planning, it may be well to note that the Bureau lacks authority to waive the statutory interest that runs on unpaid taxes even if the additional penalty charges are abated.

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